

## Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 EB-07 COME-00 IO-10 OMB-01 TRSE-00 PA-02

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FM AMEMBASSY LIMA

TO SECSTATE WASHDC 3477

USDA/FAS WASHDC

UNCLAS LIMA 0262

E.O. 11652: N/A

TAGS: AGR, PE

SUBJ: FOOD PRICE INCRRASES

1. GOP ANNOUNCED PRICE INCREASES RANGING FROM 15-39 PERCENT FOR BASIC FOOD COMMODITIES EFFECTIVE JANUARY 9. THESE ARE FIRST CONTROLLED PRICE INCREASES PERMITTED IN PAST YEAR, EXCEPT FOR CORN IN APRIL AND MILK IN NOVEMBER. INTENT IS TO PASS ON PART BUT NOT ALL OF HEAVY GOVERNMENT FOOD SUBSIDIES TO CONSUMING SECTOR. OTHER INCREASES ARE UNDER STUDY.

2. RETAIL PRICE INCREASES ANNOUNCED COMPARED TO PREVIOUS LEVELS IN SOLES ARE:

PRODUCT	NEW PRICE	PREVIOUS
VEGETABLE COOKING OIL, LITER	32.00	23.00
MIXED COOKING OIL, LITER	24.00	20.00
RICE, COMMON, PER KILO	13.30	10.60
RICE, EXTRA, PER KILO	21.50	19.50
POPULAR PASTAS, KILO	17.75	14.80
FLOUR FOR FRENCH BREAD, KILO	8.00	8.00
FLOUR FOR OTHER PRODUCTS, KILO	10.25	8.00

3. ALTHOUGH MANY DETAILS NOT YET CLEAR, OFICIAL ANNOUNCEMENT STATES THAT IMPORTED CRUDE VEGETABLE OUL PRICE TO REFINERS WILL

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INCREASE FROM \$280/MT TO \$465, IMPORTED WHEAT COST TO MILLS

WILL REMAIN AT \$120/MT FOR PRODUCING FLOUR DESTINED FOR POPULAR TYPE FRENCH BREAD, BUT \$160/MT FOR FLOUR FOR OTHER USES, INCLUDING PASTAS. NEW COMPLICATING FEATURE IS TWO-PRICE SYSTEM FOR SAME BASIC HIGH-EXTRACTION FLOUR. GOVERNMENT OFFICIALS HAVE APPARENTLY ENTERED MILLING OFFICES TO DETERMINE EXISTING STOCKS AND PREVENT SPECULATION.

4. GOP FURTHER ANNOUNCED THAT PRC IMPORTED RICE ARRIVING THIS MONTH WILL SELL AT SAME PRICE AS LOCAL RICE. PRC RICE EXPECTED INVOLVE SUBSIDY INASMUCH AS COST HIGHER THAN EXPECTED SINCE PAYMENT IN NOW HIGHER VALUED SWISS FRANCS.

5. CONSUMER RESPONSE EXPECTED BE NEGATIVE, BUT GOP HAS TAKEN STEPS TO PREPARE PUBLIC WITH VEILED INDICATIONS IN PRESS IN RECENT DAYS THAT SUBSIDIES INCREASES WERE UNDER CONSIDERATION. BARNEBEY

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